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Guide to Measuring Global Production

Results of the consultation on the draft Guide to Measuring Global Production

Note by the Secretariat

Summary

This note summarizes the comments made by members of the Conference of European Statisticians on the *Draft Guide to Measuring Global Production* (ECE/CES/2015/2/Add.1) developed by the UNECE Task Force on Global Production.

The UNECE Secretariat and the United Nations Statistics Division carried out a global electronic consultation of the Guide in March-May 2015. A total of 50 countries and territories, and international organizations replied to the request for comments. There was general support for the recommendations of the Guide and for the proposed future work. Furthermore, the replies highlighted priority areas for further research.

In view of the support received, the Conference of European Statisticians will be invited to endorse the *Draft Guide to Measuring Global Production*, subject to the amendments presented in this note.

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I. Introduction

1. This note summarizes the comments on the *Draft Guide to Measuring Global Production* (ECE/CES/2015/2/Add.1) developed by the UNECE Task Force on Global Production. The Task Force was established by the CES Bureau to support the effective implementation of the System of National Accounts, 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual, sixth edition (BPM6) in respect to global production arrangements. The Task Force was chaired by Michael Connolly, CSO of Ireland and Mark de Haan, Statistics Netherlands, was editor of the Guide.

2. In spring 2014, the Guide was sent for interim consultation with the CES member countries. Taking into account the importance of the Guide for the implementation of the 2008 SNA, the United Nations Statistics Division extended the consultation beyond CES membership to all national statistical offices (NSO) and relevant international organizations. At the same time the most important recommendations of the Guide were brought for consultation with relevant international expert groups: the Advisory Expert Group on National Accounts (AEG), the Intersecretariat Working Group on National Accounts (ISWGNA), the Committee on Balance of Payments Statistics (BOPCOM) and the Technical Subgroup (TSG) on International Standard Industrial Classification (ISIC). The Task Force revised the draft Guide to reflect the comments from these extensive consultations and a revised version was presented to the CES Bureau.

3. In February 2015, the Bureau supported the Draft Guide prepared by the Task Force and considered it ready for global consultation. The Bureau noted that the industrial classification of factoryless goods producers and the recording of their transactions in national and international accounts is a priority area for further work after the finalization of the Guide. The UNECE Secretariat and the United Nations Statistics Division carried out the global electronic consultation of the Guide in March-May 2015.

4. The Secretariat asked countries and international organisations to use a template for their comments. The template included general questions on the usefulness of the Guide, coverage of relevant issues, clarity and coherence of the recommendations, completeness of research agenda and prioritization of future work. It also contained more detailed questions on substantive and technical issues by chapter and asked countries about their readiness to contribute to further work on global production arrangements.

5. A total of 50 replies were received in response to the request for comments on the draft Guide. The following countries, territories and international organizations replied to the consultation: Albania, Angola, Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Finland, Georgia, Germany, Hungary, Ireland, Israel, Japan, Kazakhstan, Kuwait, Latvia, Lithuania, Malaysia, Mexico, Montenegro, Montserrat, Netherlands, Norway, Peru, Poland, Qatar, Republic of Moldova, Romania, Russian Federation, Singapore, Slovakia, Slovenia, State of Palestine, Sudan, Sweden, Switzerland, Turkey, United States, Venezuela, Zimbabwe, Afristat, Eurostat, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO).

II. Summary of feedback

6. All responding countries and organisations supported the endorsement of the Guide at the 2015 CES plenary session. At the same time many countries emphasized that the future work in this area and exchange of experience among different countries (including developing countries) need to be ensured.

7. Germany and Singapore noted that globalization is an on-going process and further research, clarifications and examples should subsequently be added to future revisions of the Guide.

8. Australia expressed concerns about the concept of factoryless goods producers (FGPs) but agreed that in its current form the Guide serves as a very useful role in highlighting the need for further discussion and research regarding the role of intellectual property in global production. A number of other countries welcomed the deliberations of the Guide in respect of the classification of FGPs and stressed the need to proceed with the research.

9. The Russian Federation emphasized the importance of involving central banks in the consultation, because many of the recommendations affect the implementation of the Balance of Payments standards. It also highlighted the urgent need for work on developing volume measures in relation to global production.

10. Countries also noted that the Guide would benefit from translation into other languages, adding more cross references to other manuals, a glossary of terms and an annex presenting specimen questionnaires from countries for the collection of information related to global production.

I. Response by the Task Force

11. The Task Force agrees that the treatment of FGPs needs further attention. The current recommendations of the Guide reflect the outcome of the discussion at the AEG and the ISWGNA. To carefully address these issues, the Task Force carried out further consultations with TSG on ISIC of the Expert Group on International Statistical Classifications and the BOPCOM.

12. Taking into account the outcome of these consultations, the Task Force's proposals on the classification and recording of the transactions of FGPs are introduced in a separate section and left as a priority area for future research. Before the research is completed countries are advised to follow the current international standards while they are encouraged to test, if appropriate, the alternative approach. In order to address Australian concerns the Guide will emphasize the tentative nature of the Task Force's recommendations and recognize the need for further testing and refining of these recommendations. The Task Force welcomes the willingness of Australia to contribute to further work on global production arrangements.

13. The Task Force recognizes the importance of consulting with central banks on issues affecting the implementation of BPM6. To this end balance of payments compilers have been involved in the preparation of the Guide from the very start of the process. Furthermore, the BOPCOM was consulted twice on the main recommendations of the Guide. Finally, in the global consultation some countries provided consolidated comments that included the views of their central banks.

14. Upon endorsement of the Guide, the UNECE will make efforts to translate the Guide into Russian. Translations into other UN languages by partner organizations are welcome. References to other manuals are already included in the Guide. The text will be reviewed to see if additional references need to be added.

15. The current resources do not allow the development of a glossary of terms. Instead it is proposed that the creation of a glossary is considered for future updates of the Guide.

16. Some of the country case studies already include examples of questionnaires. The possibility of extending existing case studies with reference questionnaires will be followed up.

III. General comments

17. All countries and organisations indicated that the Guide is a very useful tool for better accounting of global production arrangements and understanding conceptual and compilation issues related to them. They appreciated the practical guidance given and the informative case studies. The following paragraphs present some of the general comments.

18. Canada stated that the measurement of global production is not an easy subject matter and the landscape is constantly changing. The Task Force has provided macroeconomic account compilers with an excellent tool to help better measuring global production.

19. Ireland considers the Guide a good complement to the existing standards of 2008 SNA and BPM6.

20. Malaysia noted that the Guide is very practical and contains very informative case studies that make it much easier to understand the issues.

21. Norway underlined that developing the Guide has notably strengthened international cooperation in the area of measuring global production and that best practice solutions are of great value for many countries.

22. Singapore stated that the Guide gives a good and clear overview of the global production arrangements.

23. The United States finds that while the guide contains a wealth of useful information, the discussion on accounting for intragroup shared services to be particularly new and informative.

24. Almost all respondents considered that the Guide covers the principal issues related to global production arrangements in national accounts and balance of payments. There remains however a number of important items included in the research agenda where immediate work is needed. These issues are further addressed in the following section of this note.

25. Most of the countries acknowledged that the main recommendations are clear and concise providing a good basis for further development of economic statistics to achieve better coherence between national accounts and balance of payments.

26. Australia noted that the recommendations for future work, presented in the concluding chapter, need to be reviewed to ensure that further research does not depart from the SNA framework. They suggest that it could be useful to present global value chains in a satellite account.

27. Mexico, Montenegro, Poland and Venezuela consider the guidance comprehensive and clear but noted the growing number of multinational companies, the complex and dynamic nature of global production arrangements, and the substantial data requirements in order to provide comprehensive estimates. This calls for further revisions of the Guide based on the new experience gained by countries.

28. Respondents observed that the possibilities of implementing the recommendations of the Guide may vary between countries. Developing countries may encounter specific challenges which should be also addressed as part of the future work. More generally countries noted that measuring global production requires an expansion of data sources which contrasts to the more general policies of NSOs to lower administrative burden of statistical reporting on companies. The data collection needed to meet the suggested practices is a big challenge and underscores the importance of good cooperation and

involvement of all the necessary parties. In this respect prioritizing among the recommendations of the Guide will be helpful.

1. Response by the Task Force

29. The Task Force recognizes that the constantly evolving nature of global production arrangements and the development of new data sources and methods would require updates of the Guide. Nevertheless significant efforts were made in order to collect different country practices in drawing up the current recommendations. At present there is still limited country experience in compiling global production arrangements and many new surveys are underway. The concluding chapter already recommends an update of the Guide in 5 years from now. This text will be further reviewed and reinforced by the TF.

30. The concluding chapter also suggests establishing a platform for the exchange of country experiences and best practices. It should also be mentioned that the Task Force together with the UNECE Steering Group of National Accounts will organize in July 2015 a special meeting of the joint UNECE/Eurostat/OECD Group of Experts on National Accounts to deal with measuring global production. This meeting will provide a forum where countries can discuss conceptual issues and share practical experience in data collection and compilation methods with respect to global production arrangements.

31. The Task Force agrees that the implementation of the recommendations of the Guide and, in general, of 2008 SNA and BPM6 in respect to global production would increase the data requirements and may lead to development (or revision) of questionnaires and increased response burden. This conclusion will be clearly presented in the Guide. At the same time where possible the Guide will highlight second best options or other methods that could address the data challenges.

32. It is correct that some of the recommendations for follow up work should be placed in the context of the SNA and BPM research agenda. These issues are highlighted in the concluding chapter (Chapter 11).

33. The Task Force will study in more detail all general comments and amend the Guide where appropriate. Some comments that go beyond the mandate of the Task Force will be proposed for future work.

IV. Further work

34. Almost all respondents found the list of topics for future research complete. Many countries highlighted the importance of individual research items and recommendations to their national circumstances. The areas most frequently highlighted were: continuing work on the definition and treatment of FGPs, developing recommendations for constant price estimates, reviewing data sources and methods to compile data for complex multinational enterprises and related questions on the organization of large and complex cases units (LCU) and profiling activities.

35. Among the other suggestions for further work are: guidance on defining ownership within global enterprises (including ownership over intellectual property products), merchanting of services and updating the typology of global production arrangements, developing a global business register for most complex multinational enterprises (MNE) and establishing a permanent forum for sharing information and experiences on measurement issues related to global production arrangements.

36. Australia pointed out that in an international context the focus of research work should remain on fundamental concerns with the SNA framework, such as the difference

between 2008 SNA and BPM6 regarding the definition of basic prices and the treatment of reinvested earnings.

37. Malaysia emphasized the need of focusing further work on the harmonization of the 2008 SNA, BPM6 and the manual on international trade in services statistics and also highlighted issues related to valuation (including currency conversion) of inputs and outputs linked to global production arrangements.

38. Qatar noted that the globalization keeps evolving and it will be prudent to keep the research agenda open.

39. Among the 7 broad areas recommended in the concluding chapter the countries and organisations have indicated the following priorities for future work (many countries have chosen more than one area):

(a) New data collections required to properly measure global production (recommendation 4) and the closely linked item on new methodologies required to compile economic statistics (recommendation 5) are of the greatest importance for countries;

(b) Industrial classification of FGPs and recording of their transactions (recommendation 2) is the other high priority area. Work on this important issue needs to continue immediately, and requires good cooperation with classification and business register experts. The research will feed into further updates of the typology of global production arrangements (recommendation 1);

(c) 12 of the respondents identify the development of price and volume measurement for the output of global producers (recommendation 6) as an important research area;

(d) 10 countries have highlighted the need for further conceptual and practical guidance on determining economic ownership within global production arrangements (recommendation 3);

(e) Issues related to analysing trade in value added (recommendation 7) are mentioned in 5 replies.

40. Most of the countries highlighted the importance of sharing practical experience in data collection and compilation methods, and testing the main recommendations of the Guide. They are also willing to contribute to future work on global production arrangements.

41. Finland and Israel explicitly mentioned their plans to test the Task Force's tentative proposals on recording FGP transactions. Some respondents remarked that the research should be carried out in close cooperation with trade and business and statisticians.

42. The following 32 countries, territories and organizations expressed interest in follow up work: Albania, Angola, Australia, Austria, Canada, Denmark, Finland, Georgia, Hungary, Ireland, Israel, Kazakhstan, Kuwait, Malaysia, Mexico, Montserrat, Netherlands, Norway, Peru, Qatar (but not in the immediate future), Russian Federation, State of Palestine, Sudan, Sweden, Switzerland, Turkey, United States, Zimbabwe, Eurostat, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO).

1. Response by the Task Force

43. The Task Force would like to thank all countries for their feedback and the willingness to contribute to further work. The Task Force will carefully consider the suggested research items and will reflect the new proposals in the research agenda. The

ISWGNA will be informed about issues that need to be taken into the SNA research agenda.

44. The Task Force will suggest how the work on the identified priority areas could continue. The discussion of these issues will continue in July 2015 when the Group of Experts on National Accounts will organize a special meeting on global production in Geneva.

V. Comments on the Individual Chapters

45. Several countries provided specific comments on the Guide. The substantive comments are presented in this section chapter by chapter. The Task Force's response is summarized at the end of each chapter. Many other technical and editorial comments that were made by countries will be considered and directly taken into account in the finalization of the Guide.

46. The Task Force would like to especially acknowledge and thank the countries that undertook a detailed review of the Guide. All comments and suggestions will valuably feed into further discussion and development in the area of global production.

A. Chapter 1 - Introduction

47. Israel suggested that in addition to the theoretical introduction more could be said about the importance of the phenomena of global production. Possibly parts of the introduction to Chapter 7 could be moved to this chapter.

48. Afristat stated that to facilitate reading and understanding of the Guide, all the concepts should be clearly explained in the introduction.

1. Response by the Task Force

49. The Task Force agrees that all concepts need to be clearly explained. All chapters are briefly introduced in Chapter 1 together with the main concepts. However, most of the specific explanations should be left together with the more detailed discussion in each chapter as is currently the case in the Guide. The Task Force will review the text of Chapter 1 to decide if any adjustments are needed.

B. Chapter 2 - Typology of global production arrangements

50. Australia welcomed the establishment of a typology of global production arrangements as it will help bring clarity to the application of the international standards when measuring trade in goods and services. However, the proposed typology requires further consideration where FGPs and service transactions are concerned. Australia does not support the alternative view of FGPs proposed in the Guide for further work and testing. In their view FGPs represent the final part of the global value chain and the activities they carry out should be classified as such. If this is seen as underplaying the unique role of these producers then it is important to note that the 2008 SNA already recognizes their additional value added through the capitalization of research and development activities.

51. If, as a result of further research the proposed alternative view of FGPs is adopted then Australia would prefer that the transaction between the FGP and the contractor be recorded as a good, while Israel supports the recording of a manufacturing service.

52. Australia also provided comments on the taxonomy of "pure" service arrangements presented in the chapter. It is recommended that certain aspects of the taxonomy be reviewed in light of the existing guidance pending further research into the concept of service merchanting.

53. Australia provided a number of other specific comments.

54. Israel, Peru, Singapore and Zimbabwe explicitly stressed that the recommendations on FGPs need to be further clarified in future work. Israel stated that they are in favor of changing the current treatment and classification of FGPs in line with the alternative proposal developed by the Task Force and left for additional research.

55. Peru and Zimbabwe underlined the importance of having commonly agreed strict rules for identifying FGPs in order to enhance comparability of macroeconomic statistics among countries, to allow better analysis of their characteristics and to avoid ambiguity in classifications.

1. Response by the Task Force

56. The different country comments on Chapter 2 again highlight the importance of further work on the FGP concept. In this respect, the Guide recommends that countries maintain the classification and treatment of FGPs according to the current accounting standards (ISIC Rev.4, 2008 SNA, BPM6), namely as distributors. The proposed alternative treatment as manufacturers is left for further testing and research. In response to Australian concerns, the Guide will emphasize the tentative character of the Task Force's alternative view on FGPs and will add text indicating that other options for recording of FGPs could also be explored.

57. The Task Force agrees with the comments of Israel, Peru, Singapore and Zimbabwe on the need to develop strict rules for identification of FGPs in order to bring the research further and enhance international comparability. This work requires good cooperation with classification and business register experts. This recommendation is already included in the proposed future work.

58. The Task Force will consider the Australian comments in the light of the proposed further work on the typology of services related to global production arrangements and in the context of the practical experiences of countries that are testing questionnaires related to global production and trade. The other specific comments will also be carefully examined.

C. Chapter 3 - Principles of economic ownership inside the multinational enterprise

59. Australia welcomed the provision of further guidance about the application of the principle of economic ownership as it will help bring clarity to the application of the international standards when dealing with MNEs. However, Australia also indicated that the proposed guidance requires further consideration where the definition of the principle itself and its application are concerned. There are also certain aspects of the construction project scenarios which require further attention – specifically the assumption that all such projects might be treated as short-term or long –term - as such an approach reflects a too pragmatic interpretation of conceptual standards that could also cause international asymmetries. A number of more concrete comments on the definition and application of economic ownership and on construction project scenarios are made, including a proposal to add a numerical example on construction projects. Some further points address the clarity of certain case studies.

1. Response by the Task Force

60. The Task Force thanks Australia for raising a range of comments and questions which basically underscore the complexity of proper measurement and the critical exercise of judgment. The Task Force agrees that the proposed solutions may sometimes be perceived as second best, however, the complexities of global production do not always allow for fully satisfactory answers. The recommended recording of construction projects will be more closely aligned with the standards where appropriate.

D. Chapter 4 - Ownership of intellectual property products inside global production

61. Albania suggested adding practical guidance for measuring intellectual property products (IPPs) and deriving R&D output from intramural and extramural expenditures on R&D.

62. Australia provided a range of detailed comments. While the proposed Diagram 4.1 is considered correct, ABS expressed concern that the lack of available information will make it almost impossible to implement.

1. Response by the Task Force

63. More detailed guidance on measuring IPPs is provided in the OECD Handbook on Intellectual Property Products, which is referenced in the chapter.

64. The chapter recognizes the difficulty in obtaining the necessary information to go through the decision tree presented in Diagram 4.1. This is why each situation identified in the decision tree is provided with a default solution where information is insufficient to fully run through each of the decisive steps.

65. The Task Force will consider the other specific comments and improve the clarity of the text where possible.

E. Chapter 5 - Measuring global production: data sources and compilation challenges

66. Albania would appreciate adding more practical experience of countries that have implemented these methodological changes.

67. Australia provided a range of specific comments highlighting that the identification of FGPs is a work in progress and requires further development.

68. Austria noted that in order to meet the compilation challenges regarding measuring global production, the present legal constraints regarding micro data exchange between NSOs need to be solved.

69. Ireland noted that there are small detailed differences between how merchanting, goods for processing and factoryless goods production might be reported by MNEs and sometimes these nuances may not be detected on survey forms completed by MNEs. This aspect could be addressed as part of further discussions.

70. Israel found the practical advice on compiling data on global production exhaustive and useful. The explanations on the use of international trade data cover all aspects, and the explanations on improvements needed to the different kinds of surveys are clear and helpful. Israel also suggested that the use of business accounting in practice could be mentioned here and not only in Chapter 3.

71. Poland indicated their concerns about adding extra data items to business surveys and increasing response burden. Poland also recommended adding the issue of entities registered for tax purposes in the reporting economy which is crucial from the point of view of the Manual on Statistics of International Trade in Services (MSITS) and International Merchandise Trade Statistics (IMTS).

72. Afristat suggested that the implementation of these recommendations by developing countries should be further discussed.

1. Response by the Task Force

73. The comments related to adding further practical examples and specific recommendations relating to developing countries will be addressed in further work. Most countries are only now developing and testing new surveys and methods, and these will be taken in future updates of the Guide.

74. The issue of legal constraints regarding micro data exchange will be added in the concluding chapter.

75. The point that the identification of FGPs requires further work will be further emphasized in the Guide.

76. The Task Force will carefully consider the other comments and will address them in finalizing the chapter.

F. Chapter 6 - Large and complex enterprises units

77. Australia largely agrees with the recommendations outlined in this chapter. The chapter provides a good overview of what other countries are doing in terms of large and complex enterprises units (LCUs) and summarizes the benefits of these units. However, they suggested including more detail on the challenges of LCUs, their contribution to the coherence of statistical outputs, examples of strategies for data collection and the use of administrative data sources, and gathering data on changes taking place in employment linked to export production.

78. Austria noted that the large and complex enterprise units and profiling activities will require a considerable change in the production system of business statistics. Due to the many unresolved issues in this area it is suggested the chapter to be updated in the course of the next revision of the Guide.

79 Israel found the chapter very useful, especially for countries that are planning to develop statistics on large companies.

1. Response by the Task Force

80. During the global consultation, the Task Force asked countries whose experience is presented in the chapter to update the provided information. All countries concerned replied and the chapter will be updated accordingly.

81. Collection of new country experience in addressing the challenge of establishing and organizing of LCUs together with detail on the strategies for data collection is part of the main recommendations for further work (recommendation 5). The outcomes will be reflected in future updates of the Guide.

G. Chapter 7 - Measuring trade in value-added

82. Israel found the chapter very interesting and illustrative and agreed that it demonstrates the importance of all other preceding chapters. Israel observed that a number of times a reference is made to imports of services or networks as being "efficient" without clarifying the meaning. It is suggested to omit such qualifying wording – e.g. the heading "Open and efficient services markets matter" could be replaced by "Services markets matter".

83. Israel also noted that there are many problems with the availability and quality of the data needed for developing international input-output tables. The recommendations concern all the desirable improvements, but there could be an outline of the priorities and goals that may be reached in the short run.

84. The Russian Federation suggested further specification of measuring trade in terms of value added.

85. The United States outlined (concerning paragraph 7.70) their efforts to produce extended supply-use tables by integrating both the enterprise and establishment aspects of the underlying data by linking the business establishments to their parent enterprise.

1. Response by the Task Force

86. The Task Force will review the use of qualifying wording. The Task Force will also consider if recommendations of this chapter could advance priorities and goals achievable in the short run.

87. The Task Force notes that the chapter includes numerous links to more detailed information. An OECD-WTO joint initiative on Measuring Trade in Value Added makes available a rich knowledge base to further examine these issues.

88. The Task Force welcomes the country efforts in producing extended supply-use tables and foresees further information to be included in the forthcoming update of the Guide.

H. Chapter 8 - Multiterritory enterprises

89. Australia provided the following specific comments:

Paragraphs 8.1 and 8.7: The contextual differences between the two paragraphs can be understood but the quotation could be limited to provide a clearer, more direct message.

Paragraph 8.22: The references to "daughter company" and "mother company" should be changed to subsidiaries and parent company for consistency with the BPM6.

Paragraphs 8.81 and 8.82: This guidance has been superseded by new guidance in both 2008 SNA and BPM6. Although it is still possible to use corporate equity to prorate operations in this context, the "factor used for prorating should be based on available information that reflects the contributions to actual operations. For example, equity shares, equal splits, or splits based on operational factors such as tonnages or wages could be considered." (BPM6, paragraph 4.43). The Guide should be updated as it is possible that there may be a more appropriate indicator than corporate equity for allocating the airline's operations.

Paragraph 8.100: Duration of stay is not the sole single indicator of residence. Projects which take less than a year to perform may be considered resident institutional units based on other factors, such as being subject to income tax.

90. Israel found the theoretical parts of the chapter and the recommendations clear and useful. However, it was observed that not all the case studies can be easily associated with the theoretical part. For example the case (vii) Ocean transport – seems to illustrate complicated registrations, but not allocation between territories.

1. Response by the Task Force

91. Concerning Australia's comments on paragraphs 8.81 and 8.82, the Guide will be updated, where possible, with recommendations on supplementary indicators for prorating as obtained from the international standards.

92. Australia's comments on paragraphs 8.1, 8.7, 8.22 and 8.100 will be taken into account in the finalization of the Guide.

93. The Task Force will rethink if the clarity of some case studies could be improved and repositioned in a better context.

I. Chapter 9 - Measurement issues associated with quasi-transit trade and similar phenomena

94. Australia agrees in principle with the demonstrated possibilities of data discrepancies and the conclusions and recommendation of Chapter 9. However, these issues are mostly relevant to customs unions, such as the European Union (EU), where goods often enter the union without having changed ownership (so-called fiscal representatives may declare the goods in imports).

95. Austria noted that the concepts for goods are more extensively elaborated than the concepts for services. Due to the rising importance of services future revisions of the Guide should pay more attention to services.

1. Response by the Task Force

96. The Task Force agrees that quasi-transit trade is mostly relevant in the case of customs unions. It, however, affects also the data of the member countries.

97. The Task Force agrees that future revision of the Guide should address the increasing importance of services related to global production arrangements. This will be highlighted in the research agenda.

J. Chapter 10 - Merchanting of services

98. Australia found this chapter clearly presented as a foray into merchanting of services, a concept that is referenced in other international standards and guides, yet still poorly defined. The primary intent of this chapter is to provide some guidance and identify issues for future research. This approach is welcome, as opposed to attempting to provide direction on best practice. At this stage, there is considered to be merit in further exploration of the concept based on seemingly distinguishable factors when compared to the above related concepts. Some further specific comments are also provided.

99. Poland also considered the chapter well written as it brings together information about merchanting based on BPM6 and MSITS 2010. The schematic presentations are clear.

1. Response by the Task Force

100. The Task Force welcomes the comments. Merchanting of services is included in the research agenda.

K. Chapter 11 - Conclusions and recommendations for future work

101. Denmark does not see the need for explicit questions on intra-group services in international trade in services survey.

102. Finland suggests a small amendment to paragraph 11.20b, as not only the output of contract producers but also the whole output of FGPs will need further examination.

103. Israel found it very useful that the chapter brings together the main recommendations. However, clearer wording of the recommendations would be helpful, for example by highlighting the recommendation that require further action.

104. The Russian Federation observed that the text on measuring intra-company services in paragraph 11.17b requires a revised wording to take into account the issue of statistical confidentiality of the enterprise level data. More detailed guidance on price and volume measurement should be developed as a priority issue.

105. State of Palestine and Sudan found the recommendations in Chapter 11 very clear and noted that the chapter covers all the relevant issues.

106. Zimbabwe suggested that the recommendations on industrial classification of factoryless goods producers should be firm and properly aligned with ISIC Rev. 4. A decision has to be made whether it is the ownership of IPP, provision of technical specifications of the output, specifications of the type of material inputs or the provision and ownership of materials to be used as a decisive factor.

1. Response by the Task Force

107. The Task Force will review the chapter carefully in view of the many country comments and expressed priorities for further research that were more concretely addressed in the previous section. The Task Force will also consider rewording of the recommendations to make them clearer.

108. Paragraph 11.20 b) will be revised to note that the output of FGPs should also be examined.

109. The recommendation in paragraph 11.17 b) is meant to be more general and encourage cooperation between countries and not to oblige NSOs to exchange data that is considered confidential. The wording will be revised in order to avoid confusion.

110. Due to the complexity of the issues and to time constraints the Task Force could not address volume estimates in the current Guide. The Task Force recognizes the importance and the challenges of this issue and it is identified as one of the priority areas for future research.

111. The Task Force agrees on the need of clear rules for identification of FGPs and will continue to cooperate with classification experts to develop further guidance.

IV. Conclusion

112. All countries and territories, and international organizations that responded supported the endorsement of the Guide.

113. The UNECE Task Force on Global Production will continue to review the comments and views expressed during the electronic consultation carefully, and will introduce the amendments proposed in the previous sections in the Guide.

114. The consultation presented a clear need for further work on the priority areas identified in paragraph 39 of this note as well as the need to continue the collection of country experience and to update of the Guide in a few years.

115. In view of the wide support expressed by countries and organizations, the Conference is invited to endorse the Guide and the proposed research agenda, subject to amendments presented in this document, and to the outcomes of the discussion at the CES plenary session.